



Department of Justice



FOR IMMEDIATE RELEASE
THURSDAY, JUNE 17, 2010
WWW.JUSTICE.GOV

WYN HORNBUCKLE
(602) 514-7473
TDD (602) 740-2422

ARIZONA FINANCIAL FRAUD ENFORCEMENT TASK FORCE ANNOUNCES RESULTS OF "OPERATION STOLEN DREAMS" TARGETING MORTGAGE FRAUDSTERS

38 people indicted by federal grand juries in Arizona this month

PHOENIX, Ariz. – United States Attorney Dennis K. Burke joined members of the Arizona Financial Fraud Task Force to announce multiple indictments charging 38 people – among them loan officers, escrow officers, real estate appraisers and agents, and “straw buyers” – in various mortgage fraud schemes, including “cash back” and loan origination scams.

The announcement of the indictments in Arizona followed a press conference in Washington, D.C., where Attorney General Eric Holder announced the results of a nationwide coordinated takedown of mortgage fraudsters, the largest collective enforcement effort ever brought to bear in confronting mortgage fraud. The sweep was organized by President Obama’s interagency Financial Fraud Enforcement Task Force, which was established to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on March 1, to date Operation Stolen Dreams has involved 1,215 criminal defendants nationwide, including 485 arrests, who are allegedly responsible for more than \$2.3 billion in losses. Additionally, to date the operation has resulted in 191 civil enforcement actions which have resulted in the recovery of more than \$147 million.

“Mortgage fraud ruins lives, destroys families and devastates whole communities, so attacking the problem from every possible direction is vital,” said Attorney General Holder. “We will use every tool available to investigate, prosecute, and prevent mortgage fraud, and we will not rest until anyone preying on vulnerable American homeowners is brought to justice.”

“These are the most indictments ever in one month for mortgage fraud,” said U.S. Attorney Dennis K. Burke. “It reflects both how pervasive the problem is and how committed we are to investigate, prosecute and convict these scam artists. We have heard many of the stories from the community about how mortgage fraud has affected their lives by undermining the housing industry. Now we are aggressively targeting ‘foreclosure rescue,’ reverse mortgage, and other scams designed to profit from the misery of people desperate to remain in their homes.”

U.S. Attorney Burke also announced the launch of an initiative to educate consumers about the risks of mortgage fraud and other scams. "We want to give the tools to people so they can prevent these disasters before they begin," he said. To request a presentation on fraud from the U.S. Attorney's Office, send an email to usaaz.community@usdoj.gov or call 602-514-7629.

Special Agent in Charge Nathan Gray, FBI Phoenix Division, stated "The FBI's Mortgage Fraud Task Force as a part of the Arizona Financial Fraud Task Force has continued to address mortgage fraud matters since 2008. Operation Stolen Dreams represents a second successful wave of indictments for the task force targeting individuals committing fraud in the housing market. The FBI and our law enforcement partners are committed to working with local, state, and federal prosecutors in combating mortgage fraud."

In Arizona since the beginning of March 2010, Operation Stolen Dreams has resulted in 51 defendants indicted, convicted or sentenced. In addition to the 38 indicted this month, 13 others have been convicted and sentenced. In March, the U.S. Attorney's obtained a 17-year prison sentence against Mario Bernadel for mortgage fraud. Bernadel, a Haitian citizen, caused nearly \$9 million in losses to the banks, and caused the foreclosure of 36 properties. Also in March, Jeffrey Crandell, a loan officer, was sentenced to five years in prison, and ordered to pay over \$1.4 million in restitution, and a co-defendant, escrow officer Erin Michelle Leastman, was ordered to pay \$2.4 million. In May, April Lucero, a loan officer, was sentenced to two years in prison.

"The last number of years have seen enormous and damaging developments in the mortgage and housing markets with an urgent reliance on the government to bolster unstable marketplaces and devastated communities, said Kenneth M. Donohue, Inspector General of the Department of Housing and Urban Development. "The HUD OIG, in partnership with other federal agencies, is deeply committed to ensuring that scarce resources are not diverted to those who seek to enrich themselves at the expense of those who so desperately need assistance today."

Unlike previous mortgage fraud sweeps, Operation Stolen Dreams focused not only on federal criminal cases, but also on civil enforcement, restitution for victims and increasing cooperation with state and local partners.

"The financial impact on Arizona as a result of these schemes has been severe, which is demonstrated by buyers driven into foreclosure, lenders burdened with bad loans, neighborhoods with abandoned and deteriorating properties, and as with all financial crimes, a significant loss in tax revenue," said IRS-CI Special Agent in Charge Dawn Mertz. "IRS Criminal Investigation is committed to pursuing those individuals who commit financial fraud."

"Home ownership has been a part of the American dream for decades. Industry insiders and opportunists who commit mortgage fraud erode the infrastructure so that dream becomes less attainable for some," said Pete Zegarac, Phoenix Division Inspector

in Charge of the U.S. Postal Inspection Service. "Operation Stolen Dreams highlights the efforts of law enforcement to bring to justice those who sought to defraud desperate homeowners."

The President's Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit StopFraud.gov.

The Arizona Financial Fraud Task Force represents the efforts of the U.S. Attorney's Office, FBI, Internal Revenue Service-Criminal Investigation Division, U.S. Immigration and Customs Enforcement, Department of Housing and Urban Development Office of the Inspector General, U.S. Marshals Service, U.S. Postal Inspection Service, U.S. Secret Service, the FDIC-OIG, Arizona Department of Financial Institutions, Arizona Attorney General's Office, the Phoenix and Mesa police departments, the Maricopa County Sheriff's Office, and Maricopa County Attorney's Office.

Mortgage Fraud case examples in the District of Arizona:

United States vs. Lawler, et al.

On Tuesday, June 15, 2010, a federal grand jury in Phoenix returned a 30-count indictment against JamieLee Lawler, 41, a former Countrywide loan officer and real estate investor of Phoenix and Brett Matheson, 44, of Scottsdale, for Wire Fraud, Conspiracy, Money Laundering and Conspiracy to Commit Money Laundering related to their leadership roles in a Mortgage Fraud scheme.

The indictment alleges from January 2005 through December 2007, Lawler and Matheson conspired to commit mortgage fraud by holding seminars to recruit straw buyers that did not intend to live in the homes or be responsible for the loan payments. The defendants would obtain financing to purchase homes in the names of the straw buyers by submitting fraudulent applications that misrepresented assets, income, employment status, and other information. Loans would be in excess of the sale price and once the funds were obtained from the lender, the extra proceeds known as "cash-back," would be directed to bank accounts in the defendants' control.

During the period of the conspiracy and scheme, the defendants defrauded the banks of over \$38 million of which \$8.7 million was directed to bank accounts under their control. Lawler and Matheson used the "cash-back" for personal expenses, including luxury vehicles and homes for themselves. Each conviction for Wire Fraud or

Conspiracy carries a maximum penalty of 30 years in prison, a \$1 million fine or both. Each conviction for Money Laundering or Conspiracy to Commit Money Laundering carries a maximum penalty of 10 years in prison, a fine or both.

United States vs. Jackson , et al.

In one indictment filed in early June, resulting from an ICE investigation, six individuals are alleged to have conspired in a scheme to defraud financial institutions by using straw buyers to purchase luxury homes in Paradise Valley, North Scottsdale, Arcadia, Fountain Hills and other upscale areas in the Phoenix area. One of the primary motivations for the scam was large cash back payments upon the purchase of the houses. However, even larger illicit profits were obtained upon the sale of a house from one controlled straw buyer to another. The scheme resulted in the foreclosure of more than 100 houses and losses of more than \$50 million.

One of the six indicted conspirators, Vincent Vendittelli, was a loan officer at Spectrum Financial Group (SFG). Vendittelli handled all of the straw buyers' loans and presented false information to financial institutions on loan applications which enabled otherwise average people to falsely qualify for multimillion dollar houses. Vendittelli handled more than 100 of these loans.

Another indicted conspirator, Cleothus Jackson, aka Henry Oliver Ford, and four other co-conspirators are alleged to have devised the scheme and recruited the straw buyers. Straw buyers were paid for the purchase of the houses but the lion's share of illicit profits went to the recruiters, according to the indictment.

All of the properties went into foreclosure and in some cases bank short sales. The resulting decrease in home values caused a ripple effect across the Valley.

"These illicit schemes defrauded financial institutions out of millions of dollars," said Matt Allen, ICE Special Agent in Charge in Arizona. "This investigation provides real insight into how virtually every aspect of some of these transactions was permeated with fraud and why the real estate market in Arizona is in its current condition. ICE is proud to work with the U.S. Attorney's Office and our other law enforcement partners to hold these individuals accountable for enriching themselves at the expense of our banks, our communities and ultimately all American taxpayers."

###